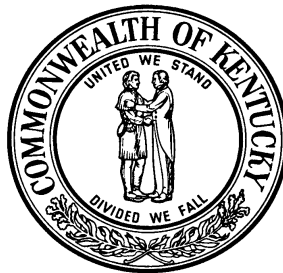


**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
SHERIFF'S SETTLEMENT - 2005 TAXES**

**May 9, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**DAVIESS COUNTY**  
**SHERIFF'S SETTLEMENT - 2005 TAXES**

**May 9, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Daviess County Sheriff as of May 9, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$35,511,970 for the districts for 2005 taxes, retaining commissions of \$1,012,484 to operate the Sheriff's office. The Sheriff distributed taxes of \$34,459,484 to the districts for 2005 Taxes. Taxes of \$119 are due to the districts from the Sheriff and refunds of \$692 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits as of December 13, 2005 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$78,381



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2005 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	9





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the Daviess County Sheriff's Settlement - 2005 Taxes as of May 9, 2006. This tax settlement is the responsibility of the Daviess County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Daviess County Sheriff's taxes charged, credited, and paid as of May 9, 2006, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

March 8, 2007

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES

May 9, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 4,711,292	\$ 4,415,386	\$ 15,099,006	\$ 4,859,680
Tangible Personal Property	665,162	453,127	1,717,096	1,646,569
Intangible Personal Property				811,573
Increases Through Exonerations	6,486	4,491	23,285	39,097
Franchise Taxes - Billed	309,266	209,129	765,166	
Distilled Spirits Taxes	25,900	17,036	88,310	
Additional Billings	2,730	2,172	11,524	2,817
Non-Resident Watercraft	23,950	15,344	66,565	
Oil and Gas Property Taxes	6,933	5,514	29,261	7,151
Limestone, Sand and Mineral Reserves	365	290	1,539	376
Bank Franchises	331,497			
Penalties	25,423	24,925	75,854	33,124
Adjusted to Sheriff's Receipt	18	148	(1)	96
Gross Chargeable to Sheriff	6,109,022	5,147,562	17,877,605	7,400,483
<u>Credits</u>				
Exonerations	28,098	25,146	66,917	33,493
Discounts	96,471	80,403	284,239	123,617
Delinquents:				
Real Estate	40,618	43,360	112,118	41,897
Tangible Personal Property	6,176	4,062	15,752	17,231
Intangible Personal Property				1,111
Franchise Taxes - Delinquent	422	263	1,308	
Total Credits	171,785	153,234	480,334	217,349
Taxes Collected	5,937,237	4,994,328	17,397,271	7,183,134
Less: Commissions *	252,620	193,334	260,959	305,571
Taxes Due	5,684,617	4,800,994	17,136,312	6,877,563
Taxes Paid	5,677,409	4,795,530	17,115,679	6,870,866
Refunds (Current and Prior Year)	7,421	5,582	20,875	6,697
Due Districts or (Refunds Due Sheriff) as of		**		
Completion of Fieldwork	\$ (213)	\$ (118)	\$ (242)	\$ 0

\* and \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

DAVIESS COUNTY  
 KEITH CAIN, SHERIFF  
 SHERIFF'S SETTLEMENT - 2005 TAXES  
 May 9, 2006  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	17,522,394
1.5% on	\$	17,397,271
1% on	\$	582,305

\*\* Special Taxing Districts:

Library District	\$	(60)
Health District		(46)
Extension Service District		(13)
Masonville Fire Department		(59)
Thruston/Philpot Fire Department		89
Utica Fire Department		30
Yelvington Fire Department		<u>(59)</u>

Due Districts or		
(Refunds Due Sheriff)	\$	<u><u>(118)</u></u>

DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENT

May 9, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

DAVISS COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 9, 2006  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 9, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 13, 2005, \$78,381 of public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured \$78,381

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 31, 2005 through May 9, 2006.

Note 4. Interest Income

The Daviess County Sheriff earned \$150,931 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder is to be used to operate the Sheriff's office. As of March 8, 2007, the Sheriff owed \$1,084 in interest to the school district and was due a refund from his fee account of \$1,084 for overpayment of interest.

Note 5. Sheriff's 10% Add-On Fee

The Daviess County Sheriff collected \$103,463 of 10% add-on fees allowed by KRS 134.430(3). This amount is to be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Daviess County Sheriff collected \$13,625 of advertising costs and \$10,505 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff pays the advertising costs; therefore the amount collected was distributed to the fee account. Advertising costs and advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. Therefore, the Sheriff should send a written report to the Treasury Department. As of May 11, 2005, the balance of the tax escrow account was \$9,345. For the 2005 taxes, the Sheriff had \$531 in unrefundable duplicate payments and unexplained receipts and \$380 in interest earned. As of May 9, 2006, the balance of the tax escrow account was \$10,256.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Daviess County Sheriff's Settlement - 2005 Taxes as of May 9, 2006, and have issued our report thereon dated March 8, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's Settlement - 2005 Taxes as of May 9, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

March 8, 2007

